THREE ON THURSDAY

First Trust

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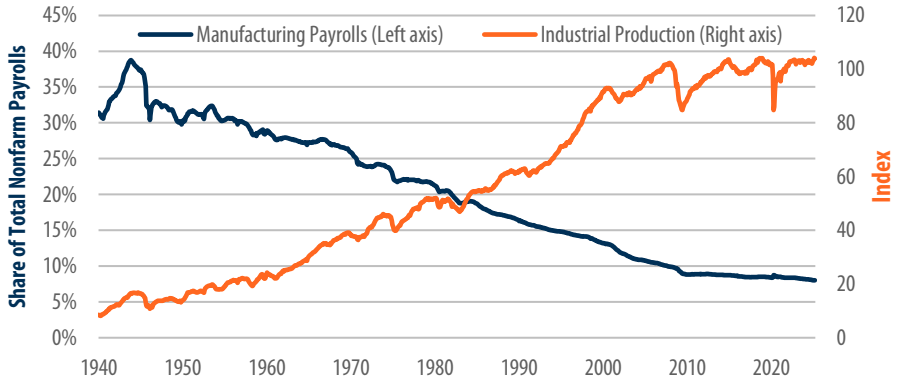
No, America Didn't Stop Making Things

In this week's edition of Three on Thursday, we dig into the true state of U.S. manufacturing—a sector often written off with the tired claim that "America doesn't make anything anymore." That narrative simply doesn't match reality. While growth in manufacturing has moderated in recent years, U.S. manufacturing continues to be a pillar of economic strength and innovation. Manufacturing in America didn't die—it evolved. It's leaner, smarter, higher-tech, and more essential to our future than ever before. The three charts below help put today's manufacturing landscape in perspective.

More with Less: U.S. Manufacturing Jobs vs. Industrial Output

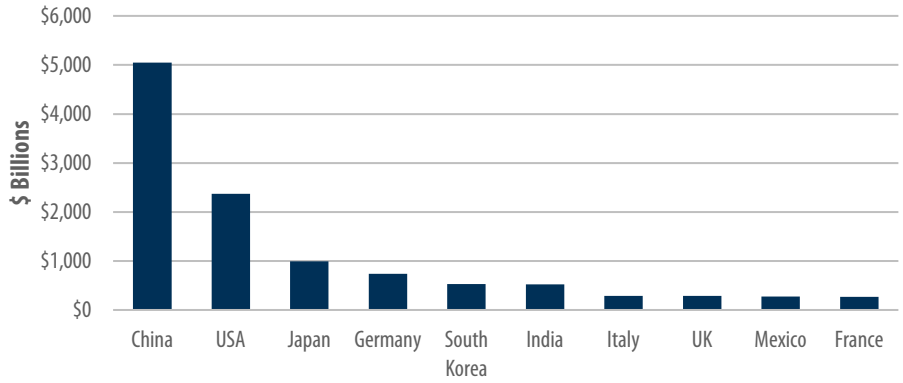


Sources: Bureau of Labor Statistics, Federal Reserve Board, First Trust Advisors. Monthly data 1/1940 – 3/2025.

One of the biggest drivers behind the myth that U.S. manufacturing is in decline is the shrinking share of manufacturing jobs. Back in the early 1940s, nearly 39% of American workers were employed in manufacturing. Today, that figure has fallen to just 8%. At first glance, it may look like the sector has collapsed—but that's a misread of the data. Over the same period, U.S. manufacturing output has surged more than 12-fold. The real story isn't about decline—it's about extraordinary gains in productivity. America is making more than ever, just with fewer workers, thanks to advances in technology, automation, and efficiency.

Top 10 Manufacturing Nations

Real Manufacturing Value Added

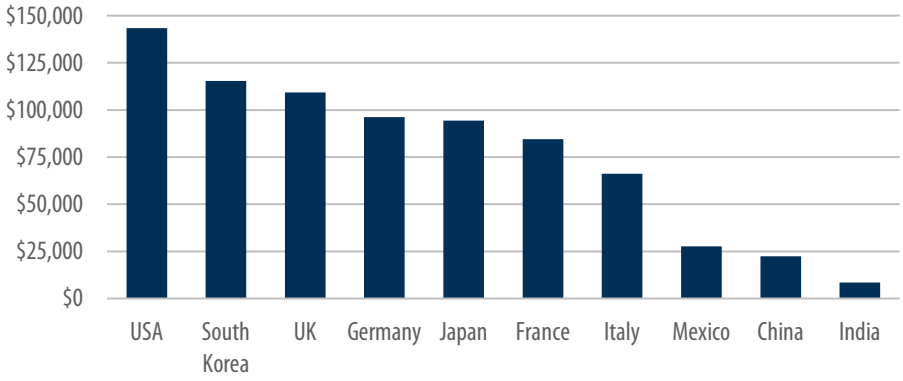


Sources: United Nations Industrial Development Organization, First Trust Advisors. Annual data for 2024.

Fifteen years ago, China overtook the United States as the world's largest manufacturer—a symbolic shift that fueled the belief that America no longer makes anything. But that perception doesn't match the facts. The U.S. remains the world's second-largest manufacturer, and it's not even close. In 2024 alone, U.S. manufacturing output was so substantial that you'd need to combine the next three countries—Japan, Germany, and South Korea—to match it. Far from being hollowed out, America's industrial base remains one of the most powerful and productive in the world.

Quality Over Quantity: Manufacturing Output Per Worker

Real Manufacturing Value Added Per Worker



Sources: International Labour Organization, United Nations Industrial Development Organization, First Trust Advisors. Annual data for 2023.

It's true that some low-cost industries—like toys and apparel—have shifted offshore, but the U.S. didn't exit manufacturing; it moved up the value chain. Today, the U.S. excels in high-tech, high-skill production, specializing in complex goods such as aircraft, semiconductors, biotech, defense systems, and advanced industrial equipment. When it comes to manufacturing productivity, the U.S. ranks among the global elite. American factories benefit from advanced automation, cutting-edge software, lean operational models, and a deeply integrated innovation ecosystem. While nations like Germany, South Korea, and the UK also perform strongly, much of the developing world remains dependent on low-cost labor rather than efficiency. Consider China: in 2023, real manufacturing output per worker was just $22,410—compared to $143,394 in the U.S. That means the average American manufacturing worker produced over six times more than their Chinese counterpart. In short, the U.S. isn't just competitive—it's dominant in high-value manufacturing.